Subsidy scope
An Initiative of The Pew Charitable Trusts

Financial Bailout

April 29, 2010—Bailout Updates

Subsidyscope began posting analysis of the financial bailout in January 2009 and is providing updates with new information and estimates where available. The purpose of the Troubled Asset Relief Program (TARP) was to infuse banks with capital to prevent failure and insolvency. One of the most notable developments since early 2009 has been the faster than anticipated repayments of monies originally disbursed by the Treasury Department to financial institutions under TARP. This has dramatically reduced estimates of TARP's ultimate cost.

Recent updates include the following:

- In January 2010, the Congressional Budget Office (CBO) updated estimates of the costs of the subsidies to Fannie Mae and Freddie Mac. CBO projects that between fiscal years 2010 and 2019, Fannie Mae and Freddie Mac will receive approximately $79 billion in federal subsidies in addition to the $291 billion received in 2009. These updated estimates are discussed on **Subsidyscope's Fannie Mae and Freddie Mac page**.
- As of April 21, 2010, the Treasury Department had received approximately $186 billion in repayments from TARP recipients. For more information on the TARP repayments, please see the **Subsidyscope's TARP Disbursements page**.
- In January 2010, CBO updated its estimates of TARP costs, projecting a $99 billion cost over the life of the program. Please see the **TARP Subsidies/CBO Estimates page for more details**.
- Subsidyscope's TARP Warrants page has also been updated. In May of 2009, the Treasury Department began to dispose of warrants it purchased under TARP and participating banks have repurchased about a quarter of the value of the total warrant portfolio. See the **TARP Warrants page** for more information.

January 26, 2009

To help stem a looming recession in 2008 and 2009, the federal government intervened in the nation's economy in unprecedented ways. Those actions have raised citizens' awareness about the role of subsidies in the economy and heightened concerns about their size and scope. However, it has been and remains difficult to find comprehensive data on the financial interventions in a single, easy-to-use Web site.

To fill this void, Subsidyscope — an initiative of The Pew Charitable Trusts — has compiled data on the financial institutions that are receiving benefits from the various federal programs so users can understand how and where taxpayer dollars are being spent.

The drop-down menus above provide information and data about bailout programs through various federal agencies. For example, users will find several pages on TARP under the Treasury tab, as well as information about bank failures under the FDIC tab.

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Treasury Department

The Treasury Department's efforts consist of several programs, which are authorized for different periods of time and receive different levels of funding. Because several of these programs include terms that allow the government to receive a return on its investment, it will take time before the precise subsidy cost of each program can be determined.

By clicking on Fannie Mae/Freddie Mac, users can see estimates of federal subsidies to these institutions, and going to the TARP Disbursements page allows users to view the TARP data by transaction, recipient and date. Also, visit our TARP Subsidies page for some initial estimates of TARP subsidy levels.

Our TARP Warrants page shows an interactive table that allows users to track certain Treasury Department TARP investments in real time. Subsidyscope also highlights a discrepancy between the way Treasury publicly described pricing for warrants and terms found in the final contracts with many TARP recipients, which may have resulted in Treasury receiving less favorable pricing on these warrants.

Subsidyscope has posted an interactive map that provides a fresh perspective on the size and scope of the bailout. Mapping which communities received funds through the Troubled Asset Relief Program (TARP) can help the public track and evaluate the large sums of money injected into financial institutions across the country. Other attempts at geographic analysis, including the recent launch of the Treasury Department's Local Impact map, have largely failed to recognize the complexity of the financial industry and do not paint a complete picture of the geography of funds distributed. Subsidyscope improves upon such efforts and presents a map that illustrates the geography of bank branch locations, deposits and lending activity across the country, on a county-by-county basis.

Financial Bailout

Subsidies to Fannie Mae and Freddie Mac

April 29, 2010 — New Estimates of Subsidy to Fannie and Freddie

As Subsidyscope has reported previously, most of the cost of subsidizing Fannie Mae and Freddie Mac was incurred when the government put the two institutions into conservatorship in fiscal year 2009. The Congressional Budget Office (CBO) released updated estimates in January 2010 projecting lower than previously projected subsidy costs for FY2010 through FY2017. These estimates change the total projected cost to the government of bailing out Fannie Mae and Freddie Mac to $370 billion from FY2009 to FY2019, down from the August 2009 estimate of costs of $389 billion over that same time period. The total cost over the FY2009-FY2020 period is projected to be between $373 billion and 376 billion.

CBO Estimates of the Net Subsidy Cost for Fannie Mae and Freddie Mac by Fiscal Year ($ billions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009–2019
SUBSIDIES TO FANNIE MAE AND FREDDIE MAC												
Projected subsidy as of January 2009[1]	238	20	14	8	6	3	4	4	4	4	4	309
Increase in projected subsidy between January and March 2009[2]	52	5	7	8	8	2	1	0	-1	-1	-1	80
Projected subsidy as of March 2009	290	25	21	16	14	5	5	4	3	3	3	389
Change in projected subsidy between March 2009 and January 2010	1	-4	-8	-6	-6	1	1	1	1	-	-	-19
Projected subsidy as of January 2010[3]	291[4]	21	13	10	8	6	6	5	4	3	3	370

Source: Subsidyscope.org using data from the Congressional Budget Office.

1. *Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2009-2019." January 2009, p.15.*
2. *Congressional Budget Office. "A Preliminary Analysis of the President's Budget and an Update CBO's Budget and Economic Outlook." March 2009, p.7.*
3. *Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2010 to 2020." January 2010, p. 52-53.*
4. *Congressional Budget Office. "CBO's Treatment of Fannie Mae and Freddie Mac." January 2010, p. 8. CBO notes that this estimate includes all mortgage commitments made before FY2009 and new commitments in 2009, and is based on the August 2009 estimate of FY2009 subsidy costs, which were not fully updated in the January 2010 report.*

April 28, 2009 — Subsidies to Fannie and Freddie Exceed Those to TARP

Federal subsidies to Fannie Mae and Freddie Mac are projected to reach $290 billion in fiscal year 2009 and total $389 billion between fiscal years 2009 and 2019. Using numbers from the Congressional Budget Office (CBO), Subsidyscope finds that the projected costs of subsidizing Fannie and Freddie exceed the aggregate subsidies provided by the Treasury's Troubled Asset Relief Program (TARP), which are expected to total $356 billion over the same 2009-2019 period. Fannie Mae and Freddie Mac are government-sponsored enterprises that purchase mortgages and guarantee pools of mortgages. TARP is a U.S. Treasury program that purchases preferred stock and warrants from banks and other financial institutions, provides asset guarantees and makes loans to automotive companies.

Most of the cost of subsidizing Fannie Mae and Freddie Mac was incurred when the government put the two institutions into conservatorship. However, the government faces additional and ongoing subsidy costs that stem from the two GSEs' new business after the takeover. In January 2009, CBO estimated that Fannie Mae and Freddie Mac would receive $309 billion of subsidies between 2009 and 2019. Since January, CBO has raised the total subsidy cost over that period by $80 billion. The upward revision stems from a deterioration of the two GSEs' financial condition.

Financial Bailout

Transactions under the Troubled Asset Relief Program

April 29, 2010 — TARP Repayments Underway

In December 2009, the Treasury Department closed the Capital Purchase Program (CPP), part of TARP, and issued its final TARP CPP disbursement on the 29th of that month. While it was active, the CPP channeled more government money to banks than any other TARP program. According to the Treasury Department, additional TARP funds will be made available through FY2010 under the Home Affordable Modification Program, an incentive program for banks that refinances loans for troubled homeowners.

The American Recovery and Reinvestment Act (ARRA) of 2009 changed the terms of TARP contracts to which banks had originally agreed for receiving TARP disbursements, allowing them to repay funds much earlier than called for in the initial contract. In September 2009, Treasury projected that financial institutions would repay another $50 billion over the next 12 to 18 months beyond the more than $70 billion in repayments already received as of that date. However, repayments have exceeded that projection; as of April 21, 2010, Treasury announced that TARP repayments already totaled $186 billion. In that same release, Treasury noted that less than $200 billion in TARP disbursements remain outstanding.

March 2, 2009

This page is your gateway to information on the TARP transactions. Subsidyscope has gathered data on each transaction under the TARP program. The following table shows which companies received funds, how much they received, and when they received it. Detailed data on individual transactions can be downloaded into a spreadsheet, and the visualizations provide a quick view of the transactions over time, by recipient and by date.

Although the government has provided a few companies with loans under TARP, nearly all the transactions have been purchases of equity stakes in those companies. In exchange for funding from TARP, the government usually receives preferred stock and warrants from the company. For information on the value of warrants purchased through TARP, including daily stock prices, click here.

The amount of funding provided through a TARP transaction can be found in the "Disbursements Received" column of the table (this corresponds to what the Treasury Department calls "Prices Paid" in its publications). The table also includes information on the size of those companies, as measured by their assets.

A crucial piece of information needed to calculate the subsidies provided through TARP is the amount of funding provided to a company. But it is not a measure of the subsidy itself. To calculate the subsidies, the market value of the preferred stock, warrants, and loans must be deducted from the funding provided to the institution. Although information on the subsidies to individual companies through TARP is still quite limited, some data can be found here.

Treasury began receiving dividend payments in December 2008. Institutions make payments on a quarterly basis at a rate of at least 5 percent of their annual profits; the rate ultimately will increase to 9 percent. Treasury is currently releasing dividend reports on a monthly basis. The reports can be found on the Subsidyscope key documents page.

Financial institutions can repay TARP funds only with the approval of the Treasury Department and their federal banking regulator, the regulator having the final say. Banks that wish to repay TARP funds must prove that they have adequate capital to continue lending to creditworthy borrowers. The 19 financial institutions that underwent the Supervisory Capital Assessment Program, better known as the “stress tests,” must also prove they can sustain healthy levels of capital into the future. New rules regarding executive compensation, which can be found in Title VII, Section 7001(g) of the American Recovery and Reinvestment Act, have allowed many financial institutions to repay because the restrictions were not in the original contracts. Upon repayment all dividends accrued must be paid to Treasury.

The visualization below reflects repayments by shrinking when repayments are made.

Aside from repaying due to contract changes, financial institutions cannot redeem their preferred stock or senior securities for three years from the date of the Treasury Department’s investment.

(Updated 4/26/2010)

Click each tab below for different ways to view the TARP data.

Transactions | By Recipient | By Date | Download

transaction date →

Filter transactions by recipient:

Date	Recipient	Disbursement Received	Type	Company Assets *	City	State
2008-10-28	WELLS FARGO & COMPANY	$25,000,000,000	Purchase	$1,335,033,794,000	San Francisco	C/
2008-10-28	BANK OF AMERICA CORPORATION	$15,000,000,000	Purchase	$1,817,686,267,000	Charlotte	NC
2008-10-28	BANK OF NEW YORK MELLON CORPORATION	$3,000,000,000	Purchase	$207,382,310,000	New York	NY
2008-	CITIGROUP INC.	$25,000,000,000	Purchase	$1,340,720,959,000	New York	NY

click on column headings to sort

Data Sources: Information on the TARP transactions is from the Treasury Web site. Asset information, with a few exceptions, came from the Federal Deposit Insurance Corporation; for institutions not found in the FDIC database, asset information from SNL Interactive, Google Finance or Securities and Exchange Commission filings (company 10Q reports) was used.

** All asset values are for the quarter ending December 31, 2008 (retreived from the FDIC web site on March 13, 2009).*

Financial Bailout

Mapping Geographic Impact of the Troubled Asset Relief Program

There is keen public interest in ensuring that the large sums of money injected into financial institutions across the country through the Troubled Asset Relief Program (TARP) are being allocated fairly and effectively. Mapping which communities received TARP funds can assist in this evaluation and provide a fresh perspective on the size and scope of the bailout. A number of attempts at geographic analysis, including the recent launch of the Treasury Department's Local Impact map, have largely failed to recognize the complexity of the financial industry and do not paint a complete picture of the geography of funds distributed. Subsidyscope improves upon such efforts and presents a map that provides a richer context for analyzing the reach of TARP funds throughout the country.

Banking Activity for TARP CPP Recipients

Mouse over a county to see banking activity for TARP Capital Purchase Program (CPP) recipient institutions in that county. Make a selection from the drop down menu to the right to view share of total deposits held in each county that are held by a TARP CPP recipient; share of total branches in each county that are managed by a TARP CPP recipient, or the percentage of total HMDA lending originated in each county by TARP CPP recipient banks. The geography of mortgage lending differs substantially from branch/deposit geography as many banks accept loan applications online or through local mortgage brokers. For example, Citigroup, which operates very few bank branches nationwide, issues loans in nearly every county through brokerage and online sales.

View share of: Branches (2008 FDIC)

Show all TARP Recipients   Filter by TARP Recipient:

Most mapping efforts have focused on the TARP Capital Purchase Program (CPP) both because of the program's size and the transparency of the funds allocations. The Treasury provides headquarters locations for the recipient institutions in the CPP information on its Web site, which is an attractive and readily accessible geographic indicator. However, using a bank's headquarters to map its reach is of questionable utility given that many financial institutions affect communities well outside of the state in which their headquarters is located. Unfortunately, many of the available maps rely solely on this indicator, including Treasury's Local Impact map.

A closer look at the Treasury map demonstrates the shortcomings of this approach. States with large financial centers are shown receiving a majority share of CPP funds while states without a significant banking presence receive little or no funds. For example, the entire state of Arizona is shown as having received only $2.5 million in CPP funds; Montana is shown as having received nothing. The lack of bank headquarters in these states may indicate an unequal distribution of funds under CPP; however, the high degree of disparity shown in Treasury's map is suspect. In reality, banks that have received TARP funds — although headquartered in other states — do engage in significant business in Arizona and Montana, a relationship not reflected in this map. As a result, this map and others use bank headquarters locations as an impact metric present a misleading representation of CPP funds distribution.*

While no mapping technique can perfectly capture the flows of money provided by the bailout, Subsidyscope's alternative methodology uses government data sets to illustrate the geography of bank branch locations, deposits and lending activity. These three metrics for measuring the geography of banking activity offer a means for estimating the share of activity for a given bank within a specific region. We use the county (or county equivalent) as the core unit of geography though the underlying data could be interpreted at other levels of specificity (e.g. state or census tract). We also combine data for all organizations within a given ownership hierarchy such that the geography of subsidiary banking activity is reflected in the data for bank holding companies.

In order to calculate TARP impact using bank branches and deposits we collected a complete copy of the Federal Deposit Insurance Corporation's Summary of Deposits database (as of June 2008). This database tracks branch locations and deposits for all FDIC member banks as well as institutions regulated by the Office of Thrift Supervision. From this data we determine the share of activity for a given location on an institution-by-institution basis or in aggregate for all TARP recipients. As might be expected, there is a strong correlation between branch locations and deposit shares; however, we provide both metrics for completeness.

Similarly, we use data on home loan originations from the Federal Financial Institutions Examination Council's Home Mortgage Disclosure Act (HMDA) database from 2007 to track lending activity for a given institution. This data is merged using the Federal Reserve's Organizational Hierarchy database for HMDA reporting institutions. The geography of mortgage lending differs substantially from branch/deposit geography as many banks accept loan applications online or through local mortgage brokers. For example, Citigroup, which operates very few bank branches nationwide, issues loans in nearly every county through brokerage and online sales.

To download the data powering this visualization use the link below. The file contains banking activity figures with county/state names and FIPS codes for integration with data sets such those provided by the Census Bureau. The file is in CSV format, which can be opened with any modern spreadsheet program.

Download CSV Data »

**It is also worth noting that the Treasury map suffers from data quality problems in addition to the methodological concerns described above. As of April 17, 2009, the map failed to reflect the full list of CPP transactions, including a $15 billion transaction for Bank of America issued on October 28, 2008. As a result, the value shown for North Carolina is artificially low, showing a total for CPP funds received of $13.6 billion instead of the correct figure of $28.6 billion as of the date viewed.*

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Subsidies from the Troubled Asset Relief Program

April 29, 2010

Disclaimer: The following text and charts are estimates based on the information available at the time they were made and do not reflect updated data. Subsidyscope presents the estimates on this page as a representation of the ex ante projections at the beginning of TARP.

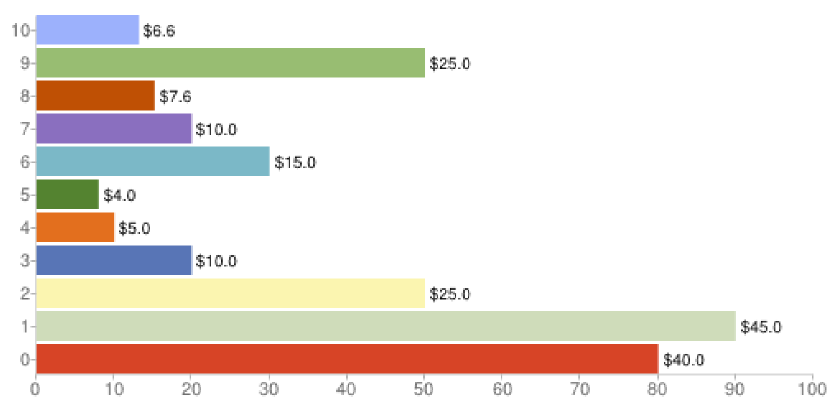
January 23, 2009

The Troubled Asset Relief Program (TARP) is one of the federal government's most complex programs. It's not surprising, therefore, that there are misunderstandings about the subsidies TARP provides.

Subsidies arise under the program because the federal government offers financing to companies at terms that are substantially more generous than what private markets would provide. In some cases, the company receives a government loan at below-market interest rates; in other cases, the company receives an above-market price for the sale of stock to the government.

Total Disbursement

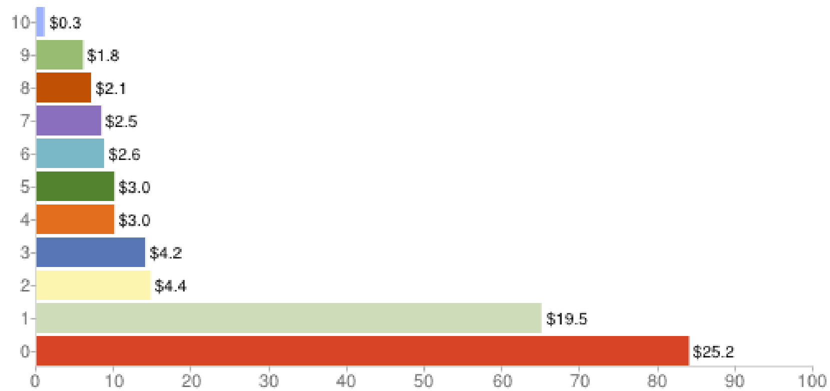
Selected Companies as of 1/23/09 (billions)



In nearly all TARP transactions, the Treasury purchases preferred stock and warrants from a company requesting funds. Although the stock and warrants give the federal government a claim on the company's future profits, the market value of those claims is generally expected to be worth much less than the initial disbursement to the company. As a result, the government will provide an implicit subsidy to the company through TARP financing. The size of the subsidy is the difference between the initial disbursement and the market value of the preferred stock and warrants.

Estimated Subsidy

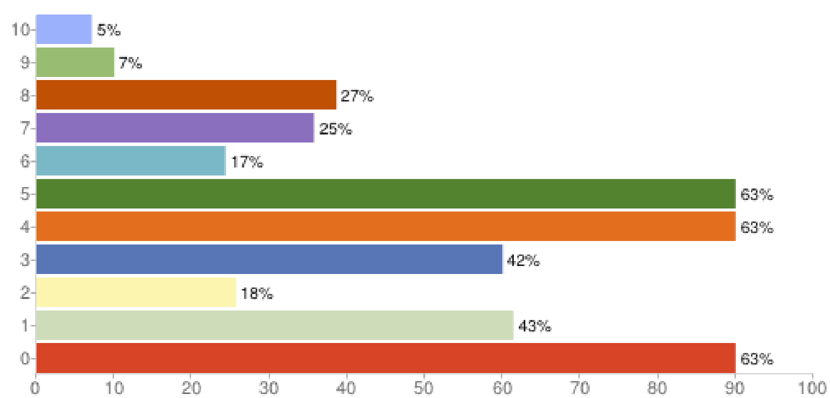
Selected Companies as of 1/23/09 (billions)



This analysis highlights a critical distinction between the funds disbursed to companies and the subsidies provided to them. The two concepts are not the same. As long as the preferred stock and warrants that the government receives from companies are not worthless, the subsidies provided by TARP are smaller than the program's disbursements. A useful measure for understanding this distinction is the *subsidy rate*, which is the ratio of the subsidy to the disbursement. The subsidy rate shows the share of the disbursement that reflects a true subsidy cost to the government.

Subsidy Rate (Subsidy/Total Disbursement)

Selected Companies as of 1/23/09



Both the Congressional Oversight Panel (COP) and the Congressional Budget Office (CBO) began providing estimates of the TARP subsidies and subsidy rates in early 2009. Among the institutions receiving some of the largest subsidies, the estimators find tremendous variation in subsidy rates (see below). The numbers from both agencies reflect estimates at a specific point in time. For example, the COP estimates in January 2009 reflected the subsidy costs to the government when the government purchased the preferred stock and warrants from the companies. However, because the subsidy estimates depend on market conditions, those subsidy estimates can change over time. If market conditions deteriorate, as they have for a number of financial companies, the size of the subsidies will increase.

Source for GM Corp and GMAC LLC: CBO, The Troubled Asset Relief Program: Report on Transactions Through December 31, 2008, 01/09; All other data from: COP, February Oversight Report, Valuing Treasury's Acquisitions, 2/6/09.

** The figure for Citigroup is a combination of the subsidies it received through two separate programs (Capital Purchase Program and Systemically Significant Failing Institutions) and that were individually estimated by COP.*

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Congressional Oversight Panel (COP) Subsidy Estimates

The Congressional Oversight Panel found that between 10/14/08 and 1/23/09, the Troubled Asset Relief Program (TARP):

- Purchased $254 billion of preferred stock and warrants from financial institutions;
- Furnished $78 billion of subsidies through those purchases;
- Provided an average subsidy rate of 31 percent to those institutions ($78b/$254b).

The panel also found a huge variation in subsidy rates among institutions. Among the eight largest TARP transactions:

- American International Group (AIG) received the largest subsidy rate: 63 percent;
- U.S. Bancorp received the smallest subsidy rate: 5 percent.

The panel observed that the variation in subsidy rates stemmed largely from the fact that TARP did not distinguish among institutions with different risks of insolvency. As a result, weaker institutions tended to receive higher subsidy rates.

COP's subsidy estimates (in dollar terms) are smaller than those made by the Congressional Budget Office because COP did not include subsidies to automotive companies. After accounting for that difference, both the COP and CBO estimates are broadly similar. Both organizations estimate similar subsidy rates.

Congressional Oversight Panel's Estimated Subsidy of Select TARP Transactions as of January 23, 2009 (Excluding Financing for the Automotive Industry)

	Transaction Date[1]	Amount Received (billions of dollars)	Estimated Subsidy (billions of dollars)	Subsidy Rate (percent)
Capital Purchase Program				
Bank of America Corporation	10/28/08	15.0	2.6	17%
Citigroup, Inc.	10/28/08	25.0	9.5	38%
JP Morgan Chase & Co.	10/28/08	25.0	4.4	18%
Morgan Stanley	10/28/08	10.0	4.2	42%
The Goldman Sachs Group, Inc.	10/28/08	10.0	2.5	25%
The PNC Financial Services Group	12/31/08	7.6	2.1	27%
U.S. Bancorp	11/14/08	6.6	0.3	5%
Wells Fargo & Company	10/28/08	25.0	1.8	7%

Subtotal		**124.2**	**27.3**	**22%**
Other Institutions[2]		70.0	15.4	22%
CPP Total		**194.2**	**42.7**	**22%**
Systemically Significant Failing Institutions (SSFI) & Targeted Investment Program (TIP)				
American International Group, Inc. (AIG)	11/25/2008	40.0	25.2	63%
Citigroup, Inc.	12/31/2008	20.0	10.0	50%
SSFI/TIP Total		**60.0**	**35.2**	**59%**
Grand Total		***254.2***	***78.0***	***31%***

1. *Transaction date is from Treasury's Transaction Reports; the subsidy was estimated using market data when the agreements were announced which was earlier than the transaction date. (See COP report for details).*
2. *There were 311 other institutions. Subsidy estimates for those institutions were extrapolated using the 22% subsidy rate from the 8 CPP investments studied by COP.*

Source: Congressional Oversight Panel, "February Oversight Report: Valuing Treasury's Acquisitions." February 6, 2009. http://cop.senate.gov/documents/cop-020609-report-dpvaluation.pdf; page 7.

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Congressional Budget Office (CBO) Subsidy Estimates

April 29, 2010 — TARP Estimates Lowered

On January 29, 2010, CBO released dramatically lower estimates of the total costs of the Troubled Asset Relief Program (TARP) than those originally released. In the report, CBO stated that "[M]any institutions have left the program sooner than expected, certain initiatives have gotten off to a slow start or been reduced in scope, and some efforts have been abandoned." As a result of these events, CBO adjusted its cost estimates down to approximately $99 billion over the life of the program (through FY2020). CBO had estimated in March 2009 that the cost of TARP for 2009 through 2010 would reach $356 billion, as Subsidyscope reported below.

CBO Projections of Total TARP Subsidy by Fiscal Year

	Subsidy (in billions)			Disbursement (in billions)	Subsidy Rate (in percent)
	2009	2010	TOTAL 2009–2010	TOTAL 2009–2010	TOTAL 2009–2010
Projected Subsidy as of January 2009[1]	184	5	189	700	27%
Increase in projected subsidy between January and March 2009[2]	152	15	167	n.a.	n.a.
Projected Subsidy as of March 2009	336	20	356[3]	700	51%
Change in projected Subsidy between March 2009 and January 2010	-184	-87	-271	-199	n.a.
Projected Subsidy as of January 2010[4]	152	-67	85	501[5]	17%

Source: Subsidyscope.org using data from the Congressional Budget Office.

1. *Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2009-2019." January 2009. p. 27.*
2. *Congressional Budget Office. "A Preliminary Analysis of the President's Budget and an Update CBO's Budget and Economic Outlook." March 2009. p.7.*
3. *Congressional Budget Office, Directors Blog. Douglas Elmendorf's post on April 17, 2009.*
4. *Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2010 to 2020." January 2010. p. 12-13; 52.*
5. *As of mid-December 2009.*

n.a. = not applicable

April 28, 2009 — TARP Estimates Sharply Higher

CBO Director Doug Elmendorf recently highlighted in a blog post that the agency sharply increased its estimates of the projected subsidies provided by the Troubled Asset Relief Program (TARP) to $356 billion, up from the January estimate of $189 billion. The new estimates nearly double the total subsidy rate for TARP from 27 percent to 51 percent. The subsidy estimates represent the net cost to the government based on the expected return on the initial investment into financial institutions. In its March report, CBO explains that the revised estimates result from three factors, including "changes in financial market conditions, new transactions, and a small shift in the anticipated timing of disbursements."

CBO notes that market yields on securities issued by the firms that have received TARP funds have increased since the time of its last estimate, and this has boosted the estimated subsidy cost of Treasury's purchases of preferred stock, asset guarantees and loans. CBO's earlier analysis assumed a larger range of companies having smaller subsidy rates (see these examples); however, a few companies (such as AIG) ended up receiving larger disbursements than previously estimated. Further, CBO's new estimates reflect its assumption that more transactions will take place in FY 2010 (after October 2009) than had previously been projected, which shifts costs to 2010.

March 2, 2009 - TARP Subsidy Estimates
The Congressional Budget Office (CBO) has presented three estimates of the subsidies provided through the Troubled Asset Relief Program (TARP). The first accounts for transactions through 12/31/08; the second updates the bottom-line numbers for transactions through 1/22/09; and the third projects subsidy costs through the end of 2009.

CBO found that between 10/14/08 and 1/22/09, TARP:

- Purchased $293 billion of preferred stock and warrants from financial institutions and automotive companies;
- Furnished $94 billion of subsidies through those purchases;
- Provided an average subsidy rate of 32 percent to those firms ($94/$293).

CBO also found a significant variation in subsidy rates among firms; the highest subsidy rates were recorded by:

- General Motors and GMAC — 63 percent;
- American International Group (AIG) — 53 percent.

Congressional Budget Office's Estimated Subsidy of Select TARP Transactions

Program	Number of Institutions	Amount (billions of nominal dollars)	Estimated Subsidy (billions of nominal dollars)	Subsidy Rate (percent)
				AS OF DECEMBER 31, 2008[1]
Capital Purchase Program	214	178	32	18
Significantly Systemic Failing Institutions (American International Group - AIG)	1	40	21	53
Targeted Investment Program (Citigroup)	1	20	5	26
Automotive Industry Financing Program				
Equity (GMAC LLC)	1	5	3	63
Debt Guarantee (GM Corporation)	1	4	3	63

Total	218	247	64	26

AS OF JANUARY 22, 2009[2]

Total		293	94	32

Source: subsidyscope.com using data from the Congressional Budget Office.

1. *CBO Report The Troubled Asset Relief Program: Report on Transactions through December 31, 2008.*
2. *Testimony of CBO Director Douglas Elmendorf to the Senate Budget Committee on January 28, 2009, page 30.*

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TARP Warrants

April 29, 2010

On May 8, 2009 the Department of the Treasury disposed of warrants it received through the Capital Purchase Program (CPP) of TARP for the first time. In that transaction, the warrants were repurchased by their issuer, Old National Bancorp of Evansville, Indiana. Since then, there have been many other dispositions; through March 11, 2010, Treasury received nearly $4.4 billion by disposing of warrants it purchased through the CPP.[1]

Warrant disposition can be executed in multiple ways. After a bank repays its CPP funds to Treasury, it has the option to repurchase its warrants, as in the previously mentioned case with Old National Bancorp. When a bank chooses to repurchase its warrants, the bank has 15 days to negotiate an estimate of fair market value with Treasury. The bank must follow Treasury's valuation process, which uses four inputs: comparable market data, warrant pricing models (such as Black-Scholes), fundamental company analysis and an outside consultant's appraisal.[2]

If a bank chooses not to repurchase its warrants, Treasury may then dispose of warrants by selling them to a third party in a private sale or through a public auction. The warrants issued through the CPP expire in 10 years, allowing Treasury a full decade to make decisions regarding warrant disposition.

According to a July 2009 Congressional Oversight Panel (COP) report, open market transactions, such as auctioning, "are the only way to determine true—'fair' market value" for warrants and to maximize the return on investment.[3] The reason for this is that Treasury is able to sell the warrants to the highest bidder and the competition is likely to drive prices up. Treasury held the first auction of warrants on December 3, 2009, to auction the Capital One Financial Corporation's warrants.[4] For more on Treasury's warrant valuation and auction processes, see here.

COP performed its own analysis of the warrants repurchased by banks through July 2, 2009, and found that Treasury only received 66 percent of the panel's best estimate of fair market value for those 11 transactions.[5] In other words, the panel found that Treasury had been selling warrants back to banks below COP's determination of fair market value.

COP notes that these transactions represented less than a quarter of the value of the total warrant portfolio at that time, and therefore may not be predictive of future transactions. However, COP also notes that the rate of return earned by Treasury on these transactions (12 percent) is likely to be higher than the average rate it will receive on rest of the warrants, given that the early repaying banks were among the healthiest of the TARP recipient banks.[6] COP reports that in its conversations with Treasury representatives about the valuation of the warrants, they sought "correct and reasonable valuation[s], not valuation[s] that [would] maximize taxpayer returns."[7]

March 25, 2009

The Special Inspector General overseeing the Department of Treasury's Troubled Asset Relief Program (TARP) presents data on the warrants that taxpayers now hold as a result of the government's bailout of financial institutions. Treasury also receives preferred stocks from a company in exchange for TARP funding.

The purchase of warrants to infuse capital into banks is one piece of Treasury's larger investment through TARP. As the Congressional Oversight Panel (COP) notes, the value of the warrants was small relative to the value of the preferred stock in most instances. (See this page for more on the total estimated subsidies to the companies involved, including both preferred stocks and warrants.)

A warrant is an option to buy shares in a company's common stock at a fixed price at any point over a set period of time; Treasury's warrants through TARP generally expire in 10 years. The agreed-upon fixed price is referred to as the strike price. Click here for more information on Treasury's policy determining the strike price.

This page has been substantially edited and updated. To view the previous version of this page, you may do so here.

1. *The Treasury Department. "TARP Transactions Report." March 11, 2010. p 12.*
2. *Congressional Oversight Panel. "July Oversight Report." July 10, 2009. p 30.*
3. *Ibid., p 33.*
4.
5. *The Treasury Department. "Warrant Disposition Report." January 20, 2010. p 49.*
6. *Congressional Oversight Panel. "July Oversight Report." July 10, 2009. p 27.*
7. *Ibid., p 28.*
8.
9. *Ibid., p 32.*

Inconsistencies in Treasury's Description of TARP's Warrant Policy

March 11, 2009 — The Subsidyscope research team discovered inconsistencies in the Treasury Department's public documents describing the Troubled Asset Relief Program's (TARP) warrant policy, highlighting concerns about the lack of clarity in the government's explanation of the program.

The warrants give the government the right to purchase stock in companies receiving TARP funds at a specified price (called the strike price). Because the warrants have value, they offset some of the costs to the government of providing TARP funds to the companies. The less the warrants are worth, the larger the net (subsidy) costs to the government.

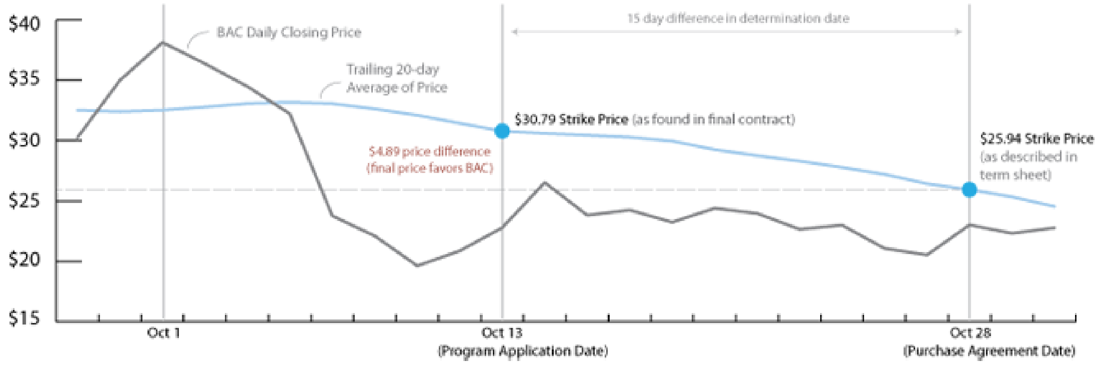
The value of the warrants is determined by many factors, but one of the most important factors is the difference between the price of the company's stock and the strike price of the warrant. If the stock price is above the strike price, the government can make money. If the stock price is below the strike price, however, the government does not make any money by exercising the warrant. In other words, the higher the strike price, the lower the value of the warrants to the government--and the larger the net subsidy cost to the government. Subsidyscope presents a table providing data on the Treasury's warrant purchases, and their daily payoff based on current stock prices.

The Treasury Department describes its policies on pricing TARP warrants in both press releases and an accompanying term sheet on its Web site. In those documents, Treasury said that the strike price would be "the market price for the common stock on the date of the Senior Preferred investment (calculated on a 20-day trailing average)."

However, the Subsidyscope research team discovered that Treasury is following a different policy in practice. In the actual contracts signed between Treasury and companies receiving TARP funds, the strike price is apparently calculated using the average of closing prices on the 20 trading days before the company applied for the TARP funds.

The two methods can result in significantly different strike prices. Because stock prices of many financial companies have been declining, the strike price calculated at the time of application is generally higher than the price would have been if it was calculated at the execution of the contract when the investment is made.

Take the Treasury's injection of funds into Bank of America (BAC) on October 28, 2008, for instance. In return, the government received warrants with a strike price of $30.79, which is the 20-day average of closing stock prices before BAC applied for TARP. If, however, the Treasury had used the date at which the contract was executed, the strike price would have been $25.94. (see graph)



Source: Subsidyscope (The Pew Charitable Trusts)

Those different dates affect the payoffs from the warrants. Under the contract, the government will make money on the warrants only if the BAC's stock price exceeds $30.79. Under the policy articulated by the press releases and term sheets, the government would have made money on the warrants once the stock price exceeded $25.94. By setting a higher strike price, the government provides a larger subsidy to BAC. However, given today's price for BAC stock (which was only $3.14 on March 6, 2009), the warrants have very little value regardless of the strike price.

Inconsistencies in the Treasury Department's description of the warrant program do not affect any of the subsidy estimates prepared by governmental organizations such as the Congressional Budget Office or the Congressional Oversight Panel, nor do they affect any of the subsidy estimates presented on the Subsidyscope web site. All of those estimates were developed using the strike prices in the actual signed contracts between Treasury and the companies receiving TARP funds.

Moreover, further analysis suggests that had Treasury used the alternative strike prices in the contracts, the aggregate subsidy costs of the TARP program would have been only slightly lower. The warrants provide only a small fraction of the TARP subsidies; most of the subsidies are actually channeled through the government's purchases of preferred stock.

For example, the BAC warrants account for about 3 percent of the total market value of the assets (preferred stock and warrants) that the government received from BAC.[1] So, even if the terms of the warrants had been considerably more favorable to the government, the aggregate subsidies provided to BAC would have been only slightly lower. Analysis of the warrants provided to other companies confirms this general conclusion. On average, warrants account for only 4 percent of the total assets that the government received for the 10 largest TARP transactions.

Furthermore, Treasury's decision to use the date of application as the key date for determining the strike price probably makes more sense from an administrative perspective than using the date that the warrants are issued. If the issue dates had been used, neither Treasury nor the bank receiving TARP funds would have known the exact terms of the warrant until 4 pm on the day before the contract was signed, which would have limited the amount of time that Treasury and bank staff had to review the terms of the contract. More deals could have fallen apart at the last minute (which would have raised overall administrative costs of the TARP program), and some institutions might have been deterred from seeking TARP money, which would have undermined the goals of the program.

Nevertheless, inconsistencies in the documents that the Treasury Department uses to describe TARP to the public highlight a need for government officials to improve their communication about the program and reduce misunderstandings. Miscommunications from the government have consequences: at least one bank relied on the Treasury's description of TARP program in its SEC filing and as a result, inadvertently misstated the terms of the warrants.[2]

1. *Congressional Oversight Panel, February Oversight Report (February 6, 2009)*
2. *See State Street Corporation's 8-K filing on October 13, 2008*

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FDIC

The Federal Deposit Insurance Corporation (FDIC) administers several programs aimed at strengthening the banking sector. In an effort to encourage new bank lending and interbank borrowing, the FDIC created the Temporary Liquidity Guarantee Program (TLGP), which has two components. The Debt Guarantee Option guarantees new senior unsecured debt issued by financial institutions. The Transaction Account Guarantee Option guarantees certain deposits in checking accounts and other non-interest-bearing accounts.

As a result of a Freedom of Information Act request, Subsidyscope has obtained a list showing which of the more than 14,000 banks, bank holding companies and thrift holding companies in the United States were participating in the TLGP as of Jan. 31, 2009. The document includes the institution's name and location as well as its FDIC or Office of Thrift Supervision identification number and TLGP participation status. Users also may search for a specific bank or financial institution on the Subsidyscope Web site to find out whether it is participating in the TLGP.

In addition to the TLGP, the FDIC has temporarily raised the maximum amount of deposit insurance from $100,000 to $250,000 through 2009. If a bank fails and does not have enough resources to pay back insured depositors in full, the FDIC's Deposit Insurance Fund makes up the difference. The fund is supported by fees imposed on the banking industry and may also tap a backstop line of credit from the Treasury if the fees are insufficient to cover losses. The fund seemed in little danger of being depleted until the recent financial crisis unfolded. However, there have been a soaring number of bank failures and rapid depletion of the FDIC fund since early 2008. See our Bank Failures page for more information and data on the number of failed banks, the depletion of the fund, and the number of problem institutions.

FDIC's Legacy Loans Program, part of the Public-Private Investment Program, is aimed at ridding banks of troubled assets. More than 400 people recently shared their thoughts with FDIC the Legacy Loans Program. The comments were sought as part of the federal rulemaking process. Subsidyscope compiled hundreds of these comments in a word tree that readers can use to search for key phrases. The FDIC is considering the comments as it writes its final rule for the troubled asset auctions, the first of which could take place in the next few months. Read more about LLP comments here.

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Bank Failures and the Deposit Insurance Fund

The Federal Deposit Insurance Corporation insures deposits in U.S. banks and thrifts up to $250,000. When an institution fails, a charge is made against the Deposit Insurance Fund, which is supported by fees imposed on the banking industry. The fund is also supported by a backstop line of credit from the U.S. Treasury that could be tapped if the fees are insufficient to cover losses.

The fund seemed in little danger of being depleted until the recent financial crisis unfolded. A rash of bank failures caused the fund's balance to drop from about $52 billion in the fourth quarter of 2007 to about $10.4 billion at the end of the second quarter of 2009. Twenty-four banks failed during the quarter — the highest quarterly total since 1992, according to the FDIC. Thirty-one more banks have failed between June 30 and August 27, leading to estimated charges of $10.27 billion against the fund. View or download a list of failed banks and their charges against the fund here.

By law, a review is required whenever the fund incurs a "material loss" from an institution placed in FDIC receivership. To reach that threshold, the loss must exceed the greater of $25 million or 2 percent of an institution's total assets. The review must be carried out by the inspector general of the institution's regulator within six months of the failure. Subsidyscope provides material loss reviews in a downloadable form when they are available.

The FDIC has imposed new fees — including a one-time, special assessment of five basis points, or 5 cents per $100 in assets, announced recently — on banks to replenish the fund, which the agency projects "will remain low but positive through 2009 and then begin to rise in 2010." Nonetheless, Congress has raised the FDIC's line of credit from $30 billion to $100 billion — with the option of going to $500 billion through 2010 — to create a cushion in case the fund falls into negative territory and help from the Treasury is needed. History shows that support from the Treasury can be important. In the 1980s, the fund that insured deposits in savings and loans became insolvent, a victim of a thrift crisis that, by some estimates, cost taxpayers about $125 billion. The fund was abolished in 1989. For more details, click here.

The graphics below show how, as the number of bank failures has soared, the Deposit Insurance Fund's reserves have plummeted.

Bank Failures

Source: www.subsidyscope.com. Data from FDIC Quarterly Banking Profile (Download CSV).

Deposit Insurance Fund Balance

Source: www.subsidyscope.com. Data from FDIC Quarterly Banking Profile (Download CSV).

The reserve ratio is another measure of the fund's precariousness. By law, the fund is supposed to remain within 1.15 percent and 1.5 percent of all insured deposits. If the ratio falls below the lower limit, the FDIC must raise assessment rates on covered financial institutions; if it rises above the upper limit, the FDIC must increase dividends to those same institutions by the excess amount. In December 2007, the reserve ratio was 1.22 percent, but by June 30, 2009, it had fallen to 0.22 percent, the lowest since 1993. A fund restoration plan announced by the FDIC will increase assessment rates with the aim of restoring the ratio to 1.15 percent by December 31, 2015.

Deposit Insurance Fund Reserve Ratio

Source: www.subsidyscope.com. Data from FDIC Quarterly Banking Profile (Download CSV).

Another measure of the fund's instability is the number of problem institutions insured by the FDIC — institutions with weaknesses that threaten their continued financial viability. According to the FDIC's most recent Quarterly Banking Profile, the number of problem institutions grew from 252 to 416 during the second quarter of 2009. Those 416 institutions have total assets of $299.8 billion.

FDIC Problem Institutions

Source: www.subsidyscope.com. Data from FDIC Quarterly Banking Profile (Download CSV).

See this related story on the latest FDIC estimate indicating that the DIF was in the red as of Sept. 30, 2009.

Updated December 1, 2009.

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FDIC Bank Failures

The following table lists the bank failures that have occurred since 2000. When available, the IG Report associated with each bank failure is linked from the bank's name.

Date	Name	Location	Estimated Charge to Deposit Insurance Fund
2010-05-14	Southwest Community Bank	Springfield, MO	$29m
2010-05-14	New Liberty Bank	Plymouth, MI	$25m
2010-05-14	Satilla Community Bank	Saint Marys, GA	$31.30m
2010-05-14	Midwest Bank and Trust Company	Elmwood Park, IL	$216.40m
2010-05-07	The Bank of Bonifay	Bonifay, FL	$78.70m
2010-05-07	Access Bank	Champlin, MN	$5.50m
2010-05-07	Towne Bank of Arizona	Mesa, AZ	$41.80m
2010-05-07	1st Pacific Bank of California	San Diego, CA	$87.70m
2010-04-30	CF Bancorp	Port Huron, MI	$615.30m
2010-04-30	Champion Bank	Creve Coeur, MO	$52.70m
2010-04-30	BC National Banks	Butler, MO	$11.40m
2010-04-30	Eurobank	San Juan, PR	$743.90m
2010-04-30	Westernbank Puerto Rico	Mayaguez, PR	$3310m
2010-04-30	R-G Premier Bank of Puerto Rico	Hato Rey, PR	$1230m
2010-04-30	Frontier Bank	Everett, WA	$1370m
2010-04-23	New Century Bank	Chicago, IL	$125.30m
2010-04-23	Lincoln Park Savings Bank	Chicago, IL	$48.40m
2010-04-23	Peotone Bank and Trust Company	Peotone, IL	$31.70m

2010-04-23	Wheatland Bank	Naperville, IL		$133m
2010-04-23	Broadway Bank	Chicago, IL		$394.30m
2010-04-23	Amcore Bank, National Association	Rockford, IL		$220.30m
2010-04-23	Citizens Bank & Trust Company of Chicago	Chicago, IL		$20.90m
2010-04-16	Butler Bank	Lowell, MA		$22.90m
2010-04-16	First Federal Bank of North Florida	Palatka, FL		$6m
2010-04-16	Riverside National Bank of Florida	Fort Pierce, FL		$491.80m
2010-04-16	AmericanFirst Bank	Clermont, FL		$10.50m
2010-04-16	Innovative Bank	Oakland, CA		$37.80m
2010-04-16	Tamalpais Bank	San Rafael, CA		$81.10m
2010-04-16	City Bank	Lynnwood, WA		$323.40m
2010-04-16	Lakeside Community Bank	Sterling Heights, MI		$11.20m
2010-04-09	Beach First National Bank	Myrtle Beach, SC		$130.30m
2010-03-26	Key West Bank	Key West, FL		$23.10m
2010-03-26	Desert Hills Bank	Phoenix, AZ		$106.70m
2010-03-26	McIntosh Commercial Bank	Carrollton, GA		$123.30m
2010-03-26	Key West Bank	Key West, FL		$23.10m
2010-03-26	McIntosh Commercial Bank	Carrollton, GA		$123.30m
2010-03-26	Unity National Bank	Cartersville, GA		$67.20m
2010-03-26	Desert Hills Bank	Phoenix , AZ		$106.70m
2010-03-26	Unity National Bank	Cartersville, GA		$67.20m
2010-03-19	American National Bank	Parma, OH		$17.10m
2010-03-19	Advanta Bank Corp.	Draper, UT		$635.60m
2010-03-19	Century Security Bank	Duluth, GA		$29.90m
2010-03-19	Bank of Hiawassee	Hiawassee, GA		$137.70m
2010-03-19	Appalachian Community Bank	Ellijay, GA		$419.30m

2010-03-19	First Lowndes Bank	Fort Deposit, AL	$38.30m
2010-03-19	State Bank of Aurora	Aurora, MN	$4.20m
2010-03-12	Statewide Bank	Covington, LA	$38.10m
2010-03-12	The Park Avenue Bank	New York, NY	$50.70m
2010-03-12	Old Southern Bank	Orlando, FL	$94.60m
2010-03-11	LibertyPointe Bank	New York, NY	$24.80m
2010-03-05	Centennial Bank	Ogden, UT	$96.30m
2010-03-05	Waterfield Bank	Germantown, MD	$51m
2010-03-05	Bank of Illinois	Normal, IL	$53.70m
2010-03-05	Sun American Bank	Boca Raton, FL	$103.80m
2010-02-26	Carson River Community Bank	Carson City, NV	$7.90m
2010-02-26	Rainier Pacific Bank	Tacoma, WA	$95.20m
2010-02-19	La Jolla Bank, FSB	La Jolla, CA	$882.30m
2010-02-19	George Washington Savings Bank	Orland Park, IL	$141.40m
2010-02-19	The La Coste National Bank	La Coste,, TX	$3.70m
2010-02-19	Marco Community Bank	Marco Island, FL	$38.10m
2010-02-05	1st American State Bank of Minnesota	Hancock, MN	$3.10m
2010-01-29	American Marine Bank	Bainbridge Island, WA	$58.90m
2010-01-29	First Regional Bank	Los Angeles, CA	$825.50m
2010-01-29	Community Bank and Trust	Cornelia, GA	$354.50m
2010-01-29	Marshall Bank, National Association	Hallock, MN	$4.10m
2010-01-29	Florida Community Bank	Immokalee, FL	$352.60m
2010-01-29	First National Bank of Georgia	Carrollton, GA	$260.40m
2010-01-22	Premier American Bank	Miami, FL	$85m
2010-01-22	Bank of Leeton	Leeton, MO	$8.10m
2010-01-22	Charter Bank	Santa Fe, NM	$201.90m
2010-	Evergreen Bank	Seattle, WA	$64.20m

01-22			
2010-01-22	Columbia River Bank	The Dalles, OR	$172.50m
2010-01-15	Barnes Banking Company	Kaysville, UT	$271.30m
2010-01-15	St. Stephen State Bank	St. Stephen, MN	$7.20m
2010-01-15	Town Community Bank and Trust	Antioch, IL	$17.80m
2010-01-08	Horizon Bank	Bellingham, WA	$539.10m
2009-12-18	RockBridge Commercial Bank	Atlanta, GA	$124.20m
2009-12-18	New South Federal Savings Bank	Irondale, AL	$212.30m
2009-12-18	Citizens State Bank	New Baltimore, MI	$76.60m
2009-12-18	Peoples First Community Bank	Panama City, FL	$556.70m
2009-12-18	Independent Bankers' Bank	Springfield, IL	$68.40m
2009-12-18	Imperial Capital Bank	La Jolla, CA	$619.20m
2009-12-18	First Federal Bank of California	Santa Monica, CA	$146.30m (A Federal Savings Bank)
2009-12-11	Valley Capital Bank, National Association	Mesa, AZ	$7.40m
2009-12-11	SolutionsBank	Overland Park, KS	$122.10m
2009-12-11	Republic Federal Bank, National Association	Miami, FL	$122.60m
2009-12-04	First Security National Bank	Norcross, GA	$30.10m
2009-12-04	The Buckhead Community Bank	Atlanta, GA	$241.40m
2009-12-04	The Tattnall Bank	Reidsville, GA	$13.90m
2009-12-04	AmTrust Bank	Cleveland, OH	$2000m
2009-12-04	Benchmark Bank	Aurora, IL	$64m
2009-12-04	Greater Atlantic Bank	Reston, VA	$35m
2009-11-20	Commerce Bank of Southwest Florida	Fort Myers, FL	$23.60m
2009-11-13	Century Bank, Federal Savings Bank	Sarasota, FL	$344m
2009-11-13	Orion Bank	Naples, FL	$615m
2009-11-13	Pacific Coast National Bank	San Clemente, CA	$27.40m
2009-11-06	Home Federal Savings Bank	Detroit, MI	$5.40m

2009-11-06	Prosperan Bank	Oakdale, MN	$60.10m
2009-11-06	United Commercial Bank	San Francisco, CA	$1400m
2009-11-06	United Security Bank	Sparta, GA	$58m
2009-11-06	Gateway Bank of St. Louis	St. Louis, MO	$9.20m
2009-10-30	California National Bank*	Los Angeles, CA	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	San Diego National Bank*	San Diego, CA	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	Community Bank of Lemont*	Lemont, IL	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	Bank USA, N.A.*	Phoenix, AZ	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	Pacific National Bank*	San Francisco, CA	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	Park National Bank*	Chicago, IL	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	Citizens National Bank*	Teague, TX	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	Madisonville State Bank*	Madisonville, TX	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-30	North Houston Bank*	Houston, TX	N/A (*Total cost to the fund, along with 8 other banks was $2.5 billion)
2009-10-23	Partners Bank	Naples, FL	$28.60m
2009-10-23	American United Bank	Lawrenceville, GA	$44m
2009-10-23	American United Bank	Lawrenceville, GA	$44m
2009-10-23	Hillcrest Bank Florida	Naples, FL	$45m
2009-10-23	Flagship National Bank	Bradenton, FL	$59m
2009-10-23	Bank of Elmwood	Racine, WI	$101.10m
2009-10-23	Riverview Community Bank	Otsego, MN	$20m
2009-10-23	First Dupage Bank	Westmont, IL	$59m
2009-10-16	San Joaquin Bank	Bakersfield, CA	$103m
2009-10-02	Warren Bank	Warren, MI	$275m

2009-10-02	Southern Colorado National Bank	Pueblo, CO	$6.60m
2009-10-02	Jennings State Bank	Spring Grove, MN	$11.70m
2009-09-25	Georgian Bank	Atlanta, GA	$892m
2009-09-18	Irwin Union Bank and Trust Company*	Columbus, IN	N/A (*Total cost to the fund, along with Irwin Union Bank, F.S.B. was $850 million.)
2009-09-18	Irwin Union Bank, F.S.B.*	Louisville, KY	N/A (*Total cost to the fund, along with Irwin Union Bank and Trust Company was $850 million.)
2009-09-11	Venture Bank	Lacey, WA	$298m
2009-09-11	Brickwell Community Bank	Woodbury, MN	$22m
2009-09-11	Corus Bank, National Association	Chicago, IL	$1700m
2009-09-04	First Bank of Kansas City	Kansas City, MO	$6m
2009-09-04	Vantus Bank	Sioux City, IA	$168m
2009-09-04	Platinum Community Bank	Rolling Meadows, IL	$114.30m
2009-09-04	First State Bank	Flagstaff, AZ	$47m
2009-09-04	InBank	Oak Forest, IL	$66m
2009-08-28	Mainstreet Bank	Forest Lake, MN	$95m
2009-08-28	Affinity Bank	Ventura, CA	$254m
2009-08-28	Bradford Bank	Baltimore, MD	$97m
2009-08-21	ebank	Atlanta, GA	$63m
2009-08-21	CapitalSouth Bank	Birmingham, AL	$151m
2009-08-21	First Coweta Bank	Newnan, GA	$48m
2009-08-21	Guaranty Bank	Austin, TX	$3000m
2009-08-14	Community Bank of Nevada	Las Vegas, NV	$781.50m
2009-08-14	Community Bank of Arizona	Phoenix, AZ	$25.50m
2009-08-14	Union Bank, National Association	Gilbert, AZ	$61m
2009-08-14	Colonial Bank	Montgomery, AL	$2800m
2009-08-14	Dwelling House Savings and Loan Association	Pittsburgh, PA	$6.80m
2009-08-07	First State Bank	Sarasota, FL	$116m

2009-08-07	Community National Bank of Sarasota County	Venice, FL	$24m
2009-08-07	Community First Bank	Prineville, OR	$45m
2009-07-31	First State Bank of Altus	Altus, OK	$25.20m
2009-07-31	Integrity Bank	Jupiter, FL	$46m
2009-07-31	Mutual Bank	Harvey, IL	$696m
2009-07-31	First BankAmericano	Elizabeth, NJ	$15m
2009-07-31	Peoples Community Bank	West Chester, OH	$129.50m
2009-07-24	Security Bank of Bibb County*	Macon, GA	N/A (*Total cost to the fund, along with 5 other banks was $807 million.)
2009-07-24	Security Bank of North Metro*	Woodstock, GA	N/A (*Total cost to the fund, along with 5 other banks was $807 million.)
2009-07-24	Security Bank of North Fulton*	Alpharetta, GA	N/A (*Total cost to the fund, along with 5 other banks was $807 million.)
2009-07-24	Security Bank of Houston County*	Perry, GA	N/A (*Total cost to the fund, along with 5 other banks was $807 million.)
2009-07-24	Security Bank of Jones County*	Gray, GA	N/A (*Total cost to the fund, along with 5 other banks was $807 million.)
2009-07-24	Waterford Village Bank	Clarence, NY	$5.60m
2009-07-24	Security Bank of Gwinnett County*	Suwanee, GA	N/A (*Total cost to the fund, along with 5 other banks was $807 million.)
2009-07-17	Vineyard Bank	Rancho Cucamonga, CA	$579m
2009-07-17	Temecula Valley Bank	Temecula, CA	$391m
2009-07-17	First Piedmont Bank	Winder, GA	$29m
2009-07-17	BankFirst	Sioux Falls, SD	$91m
2009-07-10	Bank of Wyoming	Thermopolis, WY	$27m
2009-07-02	John Warner Bank	Clinton, IL	$10m
2009-07-02	First State Bank of Winchester	Winchester, IL	$6m
2009-07-02	Rock River Bank	Oregon, IL	$27.60m
2009-07-02	Elizabeth State Bank	Elizabeth, IL	$11.20m
2009-07-02	First National Bank of Danville	Danville, IL	$24m

2009-07-02	Millennium State Bank of Texas	Dallas, TX	$47m
2009-07-02	Founders Bank	Worth, IL	$188.50m
2009-06-26	Community Bank of West Georgia	Villa Rica, GA	$85m
2009-06-26	Neighborhood Community Bank	Newnan, GA	$66.70m
2009-06-26	MetroPacific Bank	Irvine, CA	$29m
2009-06-26	Horizon Bank	Pine City, MN	$33.50m
2009-06-26	Mirae Bank	Los Angeles, CA	$50m
2009-06-19	Cooperative Bank	Wilmington, NC	$217m
2009-06-19	First National Bank of Anthony	Anthony, KS	$32.20m
2009-06-19	Southern Community Bank	Fayetteville, GA	$114m
2009-06-05	Bank of Lincolnwood	Lincolnwood, IL	$83m
2009-05-22	Strategic Capital Bank	Champaign, IL	$173m
2009-05-22	Citizens National Bank	Macomb, IL	$106m
2009-05-21	BankUnited, FSB	Coral Gables, FL	$4900m
2009-05-08	Westsound Bank	Bremerton, WA	$108m
2009-05-01	America West Bank	Layton, UT	$119.40m
2009-05-01	Silverton Bank, N.A.	Atlanta, GA	$1300m
2009-05-01	Citizens Community Bank	Ridgewood, NJ	$18.10m
2009-04-24	First Bank of Idaho, FSB	Ketchum, ID	$191.20m
2009-04-24	Michigan Heritage Bank	Farmington Hills, MI	$71.30m
2009-04-24	First Bank of Beverly Hills	Calabasas, CA	$394m
2009-04-24	American Southern Bank	Kennesaw, GA	$41.90m
2009-04-17	Great Basin Bank of Nevada	Elko, NV	$42m
2009-04-17	American Sterling Bank	Sugar Creek, MO	$42m
2009-04-10	Cape Fear Bank	Wilmington, NC	$131m
2009-04-10	New Frontier Bank	Greeley, CO	$670m

2009-03-27	Omni National Bank	Atlanta, GA	$290m
2009-03-20	TeamBank, National Association	Paola, KS	$98m
2009-03-20	Colorado National Bank	Colorado Springs, CO	$9m
2009-03-20	FirstCity Bank	Stockbridge, GA	$100m
2009-03-06	Freedom Bank of Georgia	Commerce, GA	$36.20m
2009-02-27	Security Savings Bank	Henderson, NV	$59.10m
2009-02-27	Heritage Community Bank	Glenwood, IL	$41.60m
2009-02-20	Silver Falls Bank	Silverton, OR	$50m
2009-02-13	Sherman County Bank	Loup City, NE	$28m
2009-02-13	Corn Belt Bank and Trust Company	Pittsfield,, IL	$100m
2009-02-13	Pinnacle Bank of Oregon	Beaverton, OR	$12.10m
2009-02-13	Riverside Bank of the Gulf Coast	Cape Coral, FL	$201.50m
2009-02-06	County Bank	Merced, CA	$135m
2009-02-06	FirstBank Financial Services	McDonough, GA	$110m
2009-02-06	Alliance Bank	Culver City, CA	$206m
2009-01-30	MagnetBank	Salt Lake City, UT	$119.40m
2009-01-30	Suburban Federal Savings Bank	Crofton, MD	$126m
2009-01-30	Ocala National Bank	Ocala, FL	$99.60m
2009-01-23	1st Centennial Bank	Redlands, CA	$227m
2009-01-16	National Bank of Commerce	Berkeley, IL	$97.10m
2009-01-16	Bank of Clark County	Vancouver, WA	$120–145m
2008-12-12	Sanderson State Bank	Sanderson, TX	$12.50m
2008-12-12	Haven Trust Bank	Duluth, GA	$200m
2008-12-05	First Georgia Community Bank	Jackson, GA	$72.20m
2008-11-21	PFF Bank and Trust	Pomona, CA	$700m
2008-11-21	Downey Savings and Loan	Newport Beach, CA	$1400m

2008-11-21	The Community Bank	Loganville, GA	$200–240m
2008-11-07	Security Pacific Bank	Los Angeles, CA	$210m
2008-11-07	Franklin Bank, SSB	Houston, TX	$1400–1600m
2008-10-31	Freedom Bank	Bradenton, FL	$104m
2008-10-24	Alpha Bank & Trust	Alpharetta, GA	$158.10m
2008-10-10	Main Street Bank	Northville, MI	$33–39m
2008-10-10	Meridian Bank	Eldred, IL	$13–14.5m
2008-09-25	Washington Mutual Bank FSB	Park City, UT	N/A (Subsidiary of WaMU in NV)
2008-09-25	Washington Mutual Bank	Henderson, NV	N/A (Has WaMu FSB as subsidiary)
2008-09-19	Ameribank	Northfork, WV	$42m
2008-09-05	Silver State Bank	Henderson, NV	$450–550m
2008-08-29	Integrity Bank	Alpharetta, GA	$250–350m
2008-08-22	The Columbian Bank and Trust	Topeka, KS	$60m
2008-08-01	First Priority Bank	Bradenton, FL	$72m
2008-07-25	First Heritage Bank, NA	Newport Beach, CA	$862m
2008-07-25	First National Bank of Nevada	Reno, NV	$862m
2008-07-11	IndyMac Bank	Pasadena, CA	$10700m
2008-05-30	First Integrity Bank, NA	Staples, MN	$2.30m
2008-05-09	ANB Financial, NA	Bentonville, AR	$214m
2008-03-07	Hume Bank	Hume, MO	$4.30m
2008-01-25	Douglass National Bank	Kansas City, MO	$5.60m
2007-10-04	Miami Valley Bank	Lakeview, OH	$3m
2007-09-28	NetBank	Alpharetta, GA	$110m
2007-02-02	Metropolitan Savings Bank	Pittsburgh, PA	$10.20m
2004-06-25	Bank of Ephraim	Ephraim, UT	$13.80m
2004-03-19	Reliance Bank	White Plains, NY	$0.30m

2004-03-12	Guaranty National Bank of Tallahassee	Tallahassee, FL	N/A (No Cost Resolution)
2004-02-14	Dollar Savings Bank	Newark, NJ	N/A (No Cost Resolution)
2003-11-14	Pulaski Savings Bank	Philadelphia, PA	$1.10m
2003-05-09	The First National Bank of Blanchardville	Blanchardville, WI	$12.80m
2003-02-07	Southern Pacific Bank	Torrance, CA	$135.40m
2002-12-17	The Farmers Bank of Cheneyville	Cheneyville, LA	$12.20m
2002-11-08	The Bank of Alamo	Alamo, TN	$4–5m
2002-09-30	AmTrade International Bank of Georgia	Atlanta, GA	$6m
2002-06-27	Universal Federal Savings Bank	Chicago, IL	$274m
2002-06-26	Connecticut Bank of Commerce	Stamford, CT	$53.20m
2002-03-28	New Century Bank	Shelby Township, MI	$4.40m
2002-03-01	Net 1st National Bank	Boca Raton, FL	N/A (No Cost Resolution)
2002-02-07	NextBank, N.A.	Phoenix, AZ	$109.10m
2002-02-01	Oakwood Deposit Bank Company	Oakwood, OH	$4.05m
2002-01-18	Bank of Sierra Blanca	Sierra Blanca, TX	$1.40m
2002-01-11	Hamilton Bank, N.A.	Miami, FL	$110.60m
2001-09-07	Sinclair National Bank	Gravette, AR	$4.40m
2001-07-27	Superior Bank, FSB	Hinsdale, IL	$326.20m
2001-05-03	The Malta National Bank	Malta, OH	$0.08m
2001-02-02	First Alliance Bank &Trust Company	Manchester, NH	$0.12m
2000-12-14	National State Bank of Metropolis	Metropolis, IL	$68m
2000-10-13	Bank of Honolulu	Honolulu, HI	$2.50m
None		,	N/A

Source: subsidyscope.com using data from the FDIC. (Information on charge against the fund is located in each bank's press release.)

If you'd like to work with this data, you may download it in CSV format.

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December 1, 2009 – Fifty banks failed in the third quarter of 2009, causing the Deposit Insurance Fund, which insures deposits at the nation's banks and thrifts, to drop into the red. It is the second time in the fund's history that it has fallen below zero. (In 1991, the Fund's balance dropped to $-7 billion.) The Federal Deposit Insurance Corporation announced last week that the fund had dropped from $10.4 billion at the end of the second quarter, to $-8.2 billion, as of September 30.

October 2, 2009 – In an unprecedented move this week, the Federal Deposit Insurance Corporation is asking banks to prepay their quarterly fees for the next three years in order to stem steady losses to the fund that backs accounts when an insured bank or thrift fails. Ordinarily, financial institutions pay fees to the FDIC each quarter to support the fund, which insures deposits at banks and thrifts up to $250,000.

According to the latest FDIC estimates, the Deposit Insurance Fund (DIF) went into the red on Sept. 30. FDIC officials stressed that deposit insurance coverage is unaffected by a negative balance in the DIF.

When a bank fails, the FDIC protects depositors using FDIC cash resources, which includes assets and securities, and a yet-to-be-tapped $500 billion line of credit with the Treasury Department. The DIF balance is similar to a cash position, or a statement of the amount of cash a firm has at a specific point in time, said FDIC spokesman Andrew Gray.

The DIF is projected to remain in the red until 2012 primarily because of an accounting mechanism the FDIC is using to keep track of the prepayments. The FDIC Board of Directors said that if banks prepay their fees for the fourth quarter of 2009, and all of 2010, 2011, 2012 – by December 30 of this year, along with their regularly scheduled third quarter fee payment, the FDIC will have an additional $45 billion to cover bank failures. This is approximately the amount the Deposit Insurance Fund held prior to the global financial crisis.

Subsidyscope has been keeping track of each bank and thrift failure as it happens. Since June 30, Subsidyscope estimates that the fund has diminished an additional $14.9 billion with the failure of 44 financial institutions. There have been 89 bank failures this year.

FDIC Chairman Sheila C. Bair said this week that there is enough liquidity in the banking sector to cover the proposed mandatory prepayment.

"The decision … is really about how and when the industry fulfills its obligation to the insurance fund," Bair said. "In choosing this path, it should be clear to the public that the industry will not simply tap the shoulder of the increasingly weary taxpayer."

The proposed prepayment rule includes a clause that allows the FDIC to exercise discretion and exempt certain institutions from prepayment if it would significantly impair the institution's liquidity or create a significant hardship. The names and number of exempted institutions will not be made public. Requiring prepaid assessments would also not preclude the FDIC from changing assessment rates or from further revising the risk-based assessment system from 2009-2012.

In addition to regular fees, the FDIC has also imposed an emergency fee this year which brought in $5.6 billion. The fund's line of credit from the U.S. Treasury could also be tapped if fees were insufficient to cover losses. History shows that support from the Treasury can be important. In the 1980s, a separate Treasury-backed fund that insured deposits in savings and loans became insolvent, a victim of a thrift crisis that, by some estimates, cost taxpayers about $125 billion. That fund was abolished in 1989. For more details, click here.

The proposed rule has been put out for public comment. The public has until October 28, 2009, to submit comments. Visit the FDIC Federal Register comments page to participate.

Financial Bailout

Legacy Loans Program

They Cared to Comment

May 1, 2009 – Their views came in through computer terminals, writing desks, cafes, and public libraries across the United States. By the time the Federal Deposit Insurance Corporation's deadline for public comments on the recently announced Legacy Loans Program rolled around, more than 400 people – and likely a few paid lobbyists – had their say.

This comment process has shaped federal rulemaking since the passage of the Federal Administrative Procedure Act in 1946. Laws are carried out and enforced through regulation by U.S. agencies and the act is aimed at insuring that the public is fairly included in the regulatory process.

Click on word tree below to search comments

LLP Comments

Visualization for Word Tree

many eyes | IBM legal | view data | 1 comment

This word tree includes the text of nearly all the 419 comments that the FDIC received for its Legacy Loans Program. Users can type in any term or phrase into the search box. The results will show each time that term came up and the sentence in which it appeared. We started with the phrase "This program is" and 48 references were found. Users can click on each branch of the tree and the visualization will zoom in. About 9 percent of the comments were not included because they were added past the deadline or were not in a format that could be used.

The FDIC, along with other federal agencies, must comply with the act, which outlines standardized procedures for passing regulations. Most commonly, agencies will seek comments for proposed rules at least 30 days before they publish the proposal in the *Federal Register* – the daily official publication of federal rules, proposed rules and notices. Agencies take the comments into consideration before passing a final rule that will ultimately appear in the U.S. Code of Federal Regulations. Final rules can also be amended using the same process.

But the case of the Legacy Loans Program, one arm of the Treasury Department's newly-announced Public-Private Investment Program, is unusual. The program was created under an emergency provision in the FDIC charter that allows the Treasury secretary to determine whether there is a systemic risk to the economy. Using the provision, the FDIC can take action to avoid or mitigate systemic risk. So while the FDIC isn't bound to hold a comment process, the agency has chosen to do so to hear from the public on the program.

Legacy Loans Program

The Legacy Loans Program is aimed at getting rid of troubled assets and loans held by banks across the country. The market for many troubled assets, the root of the current economic crisis, has collapsed and the value of those assets has fallen sharply. The Treasury Department and the FDIC created the Public-Private Investment Program to rebuild that market, which would allow banks to sell those assets, free up capital and increase lending.

The government explored the option of purchasing the troubled assets directly, but officials felt that any price set would be too high. Instead, under the $500 billion to $1 trillion Legacy Loans Program, Treasury will partner with private investors by creating joint Public-Private Investment Funds that will pay for the troubled assets.

Under the program, the Public-Private Investment Funds would purchase troubled assets from the banks with financing from the Treasury, private investors and the FDIC. The Treasury Department and private investors would contribute equal amounts of equity financing; the rest of the financing would come from debt that was guaranteed by the FDIC. The debt guaranteed by the FDIC will be determined by the assets themselves, but it cannot exceed 6 times the amount of equity contributed by the Treasury and private investors. The FDIC would charge the funds a fee for the guarantee.

Potential investors in the funds may include a wide range of institutions, including mutual funds, pension plans, insurance companies, financial institutions, individuals, publicly managed investment funds, private equity funds, hedge funds and other long-term investors.

If a fund turns a profit, its returns are split equally between private investors and the government. However, if a fund loses money, the loss is first absorbed by the equity contributed by the Treasury and the private investors, and if those contributions are insufficient to cover the loss, the remainder is absorbed by the FDIC. Although private investors fully share the potential profit gains with the government, any losses are only limited to their initial equity contribution. The government bears most of the downside risk.

Proponents of the funds argue that the participation of private investors will help restart the market for troubled assets and help reveal the true prices of those assets. Critics, however, note that because private investors bear little downside risk, the funds will end up paying too much for those troubled assets. For more discussion, see this editorial by Joseph Stiglitz in *The New York Times*.

(Article continues after graphic)

This word cloud shows the most popular terms used from nearly all the 400-plus comments the FDIC received as part of its public comment process for the Legacy Loans Program. The larger the text, the greater number of times that term was used.

Request for Comment

Just three days after the Legacy Loans Program was announced, the FDIC began accepting comments through a relatively short comment period that began on March 26 and ended on April 10.

In its request, it outlined 17 questions, relating to everything from what type of asset should be sold, to whether the identities of participating investors should be made public.

Respondents suggested changes. Some drew diagrams. There were rants, and there were displays of gratitude, and cautiousness.

"We are grateful for the opportunity to comment on this program and look forward to helping the LLP be successful and beneficial for taxpayers, our communities, the federal government and the banking industry," wrote Joe Brannen, the President and CEO of the Georgia Bankers Association, which represents more than 350 commercial banks and thrifts.

"In our view, this could be an important tool for removing troubled loans that are prevent some of our member banks from supporting new lending in communities throughout Georgia."

In contrast, a blogger known as Dr. Housing Bubble cautioned the FDIC not to go through with the program.

"You are the absolute last line of defense from giving out a massive $500 billion to $1 trillion in handouts to perpetrators of this financial crisis… the program is marketed as a public and private partnership, but the massive downside potential is falling on the shoulders of the taxpayers," the blogger wrote. "In the end, taxpayers are fronting nearly 93 percent of the risk… When these loans start failing, as they will, the FDIC will suddenly become one of the biggest toxic mortgage holders... It is a recipe for another disaster."

Other comments offered tacit approval but cautioned the FDIC to tread carefully. Mark J. Tenhundfeld, director of regulatory policy at the American Bankers Association, said that his organization was concerned about the FDIC's "mission creep."

"The FDIC must not allow itself to become extended in activities beyond its traditional role of deposit insurer that in any way detract from… its primary and paramount deposit insurance responsibilities," Tenhundfeld wrote.

Tenhundfeld also recommended that banks be allowed to purchase pooled troubled assets of other banks to increase the number of bidders and the chance that such assets would be sold.

Bank of America's deputy general counsel, Gregory A. Baer, asked that the FDIC assure private investors that "once the core terms of the program are established, neither the FDIC nor the government bodies will engage in undue efforts to change the terms of the program. The financial community has witnessed punitive modifications to other government programs after they had been established, creating uncertainty and discouraging participation."

Baer also asked for the auctioned assets to include corporate loans, construction loans and revolving credit facilities – and not just real estate assets.

In contrast, a non-profit organization, the Center for Responsible Lending, recommended that the assets only include residential real estate assets, which are the source of the crisis.

The center also asked the FDIC to include President Obama's Home Affordable Modification Program, which expands the eligibility of home borrowers, in the Legacy Loans Program. It recommended that all loans and related assets sold or acquired through the LLP be subject to HAMP, and all institutions that sell loans or other assets through the program be required to participate in HAMP.

The Question of Transparency

One of the FDIC's questions to commenters was whether they thought investors' identities should be made publicly available. The responses were varied.

The Center for Responsible Lending said that transparency was essential "to ensure that homeowners can identify the ultimate owners of their mortgage loans, and that policymakers and independent analysts can meaningfully evaluate participants' performance under the Program."

But Richard Keck, a partner at the Duane Morris law firm, which represents the Flat Earth Capital private equity investment firm, said that investors' names should be held in confidence by the government.

"Investors typically have expectations of privacy in their investment decisions," Keck wrote. "Requiring them to forfeit those privacy interests as a condition to investing in the PPIFs is likely to discourage some investors and make it more difficult and costly to raise the necessary private equity." Ryan Bybee, a representative of the DBS private equity fund, said it didn't matter if their name was made public.

"No big deal, just don't demonize us if we make a buck or two, we are partners in this deal and we perform a necessary service for the public," Bybee wrote.

But Michael Hrebenar, president and CEO of NC Ventures in Stafford, Texas, said that making investors' information public could actually raise their profile.

"In fact, investors may receive new contacts from parties that read such publication (we have received numerous calls lately from businesses that saw our name on the Purchaser list), which may provide new business opportunities, which in turn would help the economy," Hrebenar wrote.

The FDIC will consider these and all other comments as it writes its final rule for the troubled asset auctions. While the FDIC isn't saying when the first of these auctions will take place, it could happen in the next few months.

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Guarantee Program Increases Lending … For Some

The Federal Deposit Insurance Corporation responded to the troubled economy last year by creating a program designed to increase lending between banks and promote stability following a near shutdown of interbank lending. However, while thousands of financial institutions participate in the program, few are engaging in new interbank lending.

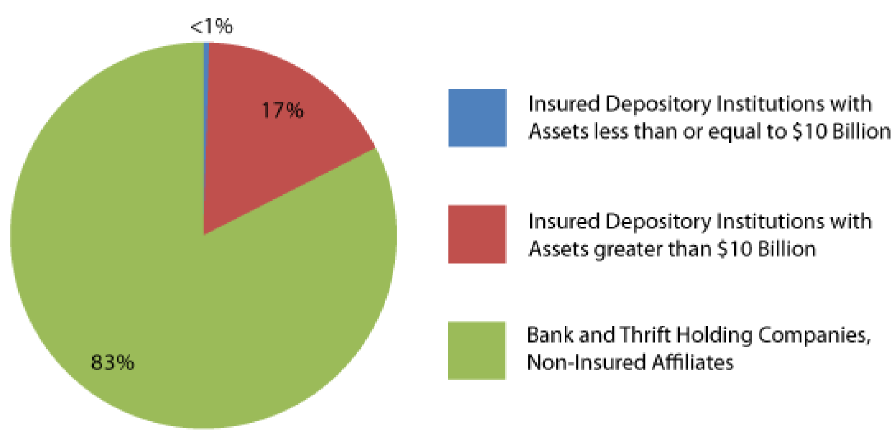
The Temporary Liquidity Guarantee Program, launched in October 2008, includes two components; one guaranteeing senior unsecured debt and a second covering of non-interest-bearing accounts over $250,000 if a bank fails.

Under the program, if a bank defaults on the guaranteed debt or the bank fails, the FDIC must pay any unpaid principal and interest from the debt and all the non-interest-bearing accounts. Such guarantees subsidize banks because they offer a level of protection that makes the debt cheaper than it would be on the open market or if it were backed by private guarantors.

More than 8,000 financial institutions opted into the FDIC program. Despite its initial popularity, however, monthly FDIC reports show that only 101 banks, thrifts, bank holding companies and thrift holding companies have actually issued debt since December 31. More than 80 percent of the debt guaranteed comes from holding companies.

Debt Issued by Type of Institution

May data from the FDIC show that bank and thrift holding companies comprise most of the guaranteed debt.



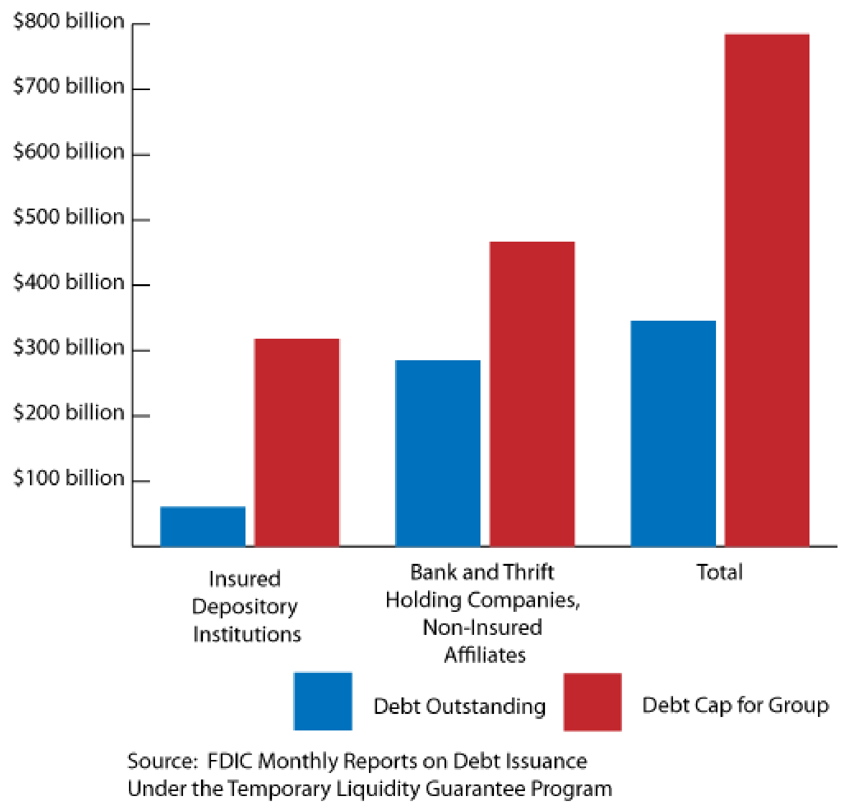
Source: FDIC Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program

In December 2008, Subsidyscope filed a Freedom of Information Act request for the names of all the banks participating in the program and the amount of debt guaranteed. The FDIC provided a list of names but denied the amounts on grounds that such information would disclose trade secrets.

Nonetheless, the monthly data released by the FDIC provide a glimpse into the amount of total debt being guaranteed – nearly $346 billion as of the end of May 2009. The total amount of debt that could be guaranteed under the first component of the program is $785 billion. Data from the FDIC Quarterly Banking Profile show that in the first quarter of 2009, non-interest-bearing accounts guaranteed under the TLGP program totaled $700 billion.

Debt Issued & Debt Cap by Type of Institution

The latest TLGP report shows a breakdown of the amount of guranteed debt by institutions and bank and thrift holding companies in relation to the total amount that can be guaranteed.



FDIC data also show that nearly 69 percent of the debt guaranteed is composed of medium term notes, which mature anywhere from nine months to 10 years. This is to be expected, given that the TLGP program is only for debt that matures in three years – by the end of 2012. Commercial paper makes up another chunk, 20 percent, of the senior unsecured debt.

To participate in the program, a financial institution must pay a fee that would cover any defaults in the event the institution failed. The latest report shows that the FDIC has collected $8 billion in such fees. After the program ends, if there are no losses to the TLGP fund, the money will be shifted into the Deposit Insurance Fund, which covers deposits lost due to bank failures.

As of April, the FDIC also assessed surcharges for certain guaranteed debt. These surcharges go to the Deposit Insurance Fund. The aim is to boost the fund, which has been severely depleted since early 2008 following a rapid number of bank failures.

Of the 37 banks that failed in 2009, 29 participated in the debt guarantee option of the Temporary Liquidity Guarantee Program, and 34 in the portion of the program that backs non-interest bearing accounts.

In April, FDIC Chairman Sheila Bair said that there had been no losses to the debt guarantee program, indicating that the banks that failed did not issue debt.

Bair did not address the guaranteed non-interest bearing accounts; however, those accounts at the failed banks totaled $800 million as of May 8, 2009. Of that total, $700 million was associated with one bank, Silverton Bank of Georgia, an FDIC spokesperson said.

Several large banks that have issued debt under TLGP have already begun to issue non-guaranteed debt, indicating that the program may be close to serving out its purpose.

Federal Reserve

The Federal Reserve has engaged in a broad range of activities to try to improve the economy. Under the Federal Reserve Act, the Fed is authorized to extend credit directly to individuals, partnerships, or corporations in times of "unusual and exigent circumstances."

According to Congressional Budget Office estimates in January and announcements from the Fed in March, the potential holdings of the Fed could exceed $5 trillion.

The graphic below provides a breakdown of these holdings, both before and after the financial crisis. It also includes key events related to the Fed’s holdings. Click on the blue dots for more information.

Factors Affecting Federal Reserve Balances

Source: www.subsidyscope.com. Data from The Federal Reserve [Download CSV]

The Fed is trying to stimulate the economy by providing overnight and longer-term loans to financial institutions; increasing currency swaps with foreign central banks; providing liquidity to borrowers and investors through the purchase of commercial paper and other assets; making direct loans to companies to purchase asset-backed securities; and purchasing mortgage-backed securities.

The largest of the new Fed programs include:

The **Commercial Paper Funding Facility,** created in October 2008, encourages corporate borrowing by buying commercial paper (securities sold by large banks and companies to obtain funds for short-term borrowing needs such as payroll) directly from companies. As of December 31, 2008, this facility has the potential to purchase up to $1.8 trillion.

Mortgage-backed securities: The Fed announced on March 18, 2009, that it has the authority to purchase up to $1.25 trillion in mortgage-backed securities issued by Fannie Mae, Freddie Mac, the Federal Home Loan Banks and Ginnie Mae.

Term Asset-Backed Securities Loan Facility (TALF): On November 25, 2008, the Fed announced that it would commit $200 billion in loans and the Treasury will provide $20 billion in credit protection for the TALF — for companies to support the purchase of asset-backed securities, such as student loans, auto loans, credit card loans and loans guaranteed by the Small Business Administration. Each loan has a three year maturity date. In February 2009, the Fed announced that TALF could be expanded up to $1 trillion. On March 23, 2009, the Fed and the Treasury Department announced that TALF would be expanded to include residential and commercial mortgage-backed securities under the newly announced Legacy Securities program — a part of the Public-Private Investment Program.

The **Term Auction Facility**, created in December 2007, through which the Fed makes loans — whose interest rates are determined by auctions — to banks and other financial institutions in exchange for pledged collateral. The maximum lending amount under this program is $600 billion.

The **Money Market Investor Funding Facility**, created in October 2008, will buy certificates of deposit and commercial paper from money market mutual funds. This facility has yet to be utilized as of March 2009, but could make purchases up to $540 billion.

These lending facilities have significantly changed the way that the Fed operates. Generally speaking, before the onset of the financial crisis, a typical Fed loan had a term ranging from overnight to 14 days. With the new lending facilities, the terms of loans can be as long as three years.

As the economy improves, the Fed plans to phase out most of the programs used to acquire assets and return to its historical mission of keeping credit flowing between banks by setting the interest rate at which they lend to one another. The size of the Fed is likely to shrink drastically: as of March 26, 2009, it holds assets worth more than $2 trillion; traditionally, it has held about $850 billion. Although the Fed should be able to reduce its holdings of short-term securities quickly, questions have been raised about how quickly the Fed will be able to reduce its portfolio of longer-term securities.

Other key programs include:

- The Term Securities Lending Facility
- Credit extended to AIG
- Asset-backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF):
- Primary dealer and other broker credit facility
- Federal agency debt securities
- Net Portfolio holdings of Maiden Lane LLC
- Net portfolio holdings of Maiden Lane II LLC
- Net portfolio holdings of Maiden lane III LLC
- Currency swaps

Subsidy scope

An Initiative of The Pew Charitable Trusts

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Other government agencies have been involved in the bailout and have either acted in response to existing legislation or received authorization under recent legislation. The Department of Housing and Urban Development (HUD) has established several programs. The Federal Housing Finance Administration (FHFA) is also planning to streamline the loan modification process while the National Credit Union Administration (NCUA) is working to ensure its member institutions' liquidity.

The Federal Home Loan Banks have been an important source of funding for banks during the financial crisis. After a review of their SEC filings, Subsidyscope has found that there have been steep declines in the market value of some of their investments. This raises concerns that the banks may take substantial losses, which could increase taxpayers' financial risk. Click here to read more about the FHLBs.

Hover your cursor over the name of each program (in bold) for a more detailed description of its terms.

Disbursements | Potential Disbursements | Estimated Subsidy

HUD

Department of Housing and Urban Development — as of January 22, 2009

Redevelopment of Abandoned and Foreclosed Homes
$0b
$4b
unknown

HOPE Program
$0b
$1b
unknown

FHA Secure
N/A
$1b
unknown

NCUA

National Credit Union Administration — as of January 22, 2009

Homeowners Programs
$5b
$41b
unknown

Streamlined Modification Program
unknown
unknown
unknown

Temporary Corporate Credit Union Liquidity Guarantee Program
N/A
unknown
unknown

Source: Congressional Budget Office, Addressing the Ongoing Crisis in the Housing and Financial Markets, 1/28/09.

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Concerns Grow Over Federal Home Loan Bank Investments

May 26, 2009 – The Federal Home Loan Banks, or FHLBs, may be the biggest financial players you've never heard of. Collectively, they hold $1.3 trillion in assets and are the largest U.S. borrower after the federal government.

A Subsidyscope review of the FHLBs' financial statements has found that several of the banks are carrying substantial "unrealized losses" on their investments in mortgage-backed securities. Because the banks believe these losses are temporary, they don't have to be recognized on the banks' accounting statements.

What's potentially worrisome is the sheer size of the losses. For the Federal Home Loan Bank of Seattle, they are substantially larger than the capital the bank holds to protect itself against such declines. If its mortgage-backed securities don't regain their value, the bank will have to write them down, which could wipe out its capital buffer and raise risks for taxpayers.

A PUBLIC MISSION

The FLHBs' mission is to keep home loans flowing by borrowing money and lending it to the banks and other institutions that issue the loans. The system works as a cooperative: there are 12 regional banks, and they serve their members – 8,100 commercial banks, thrifts, credit unions, and insurance companies across the country. The FHLBs can borrow cheaply because investors believe that, like Fannie Mae and Freddie Mac, the government won't let them fail. The home loan banks are especially helpful to community banks and small thrifts because these smaller institutions typically find it more difficult to raise capital themselves.

The troubles began when several FHLBs invested heavily in mortgage-backed securities created by Wall Street. As the housing crisis developed, these investments lost a good deal of their value. A Subsidyscope review of the banks' annual reports found that in the first three months of 2009 alone, several FHLBs saw the ratings of a large portion of these securities decline from AAA to junk status, most notably the Boston, San Francisco and Seattle banks. A downgrade to junk doesn't mean the securities are worthless, and an improvement in the market could increase their value. Still, the downgrades were numerous. The San Francisco bank, for example, saw $7 billion of its private mortgage-backed securities go to junk (see graphic below).

(Article continues after graphic)

Ratings Declines on FHLBs' Held-to-Maturity Securities (January 1, 2009 through March 2009)

Several of the FHLBs disclosed in their 2008 annual reports that a substantial portion of their investments in private mortgage-backed securities had declined in rating since the end of the year. This graphic looks at the banks that experienced the steepest downgrades. It compares the dollar value of the securities that have been downgraded to junk status to the capital the banks hold to protect against losses.

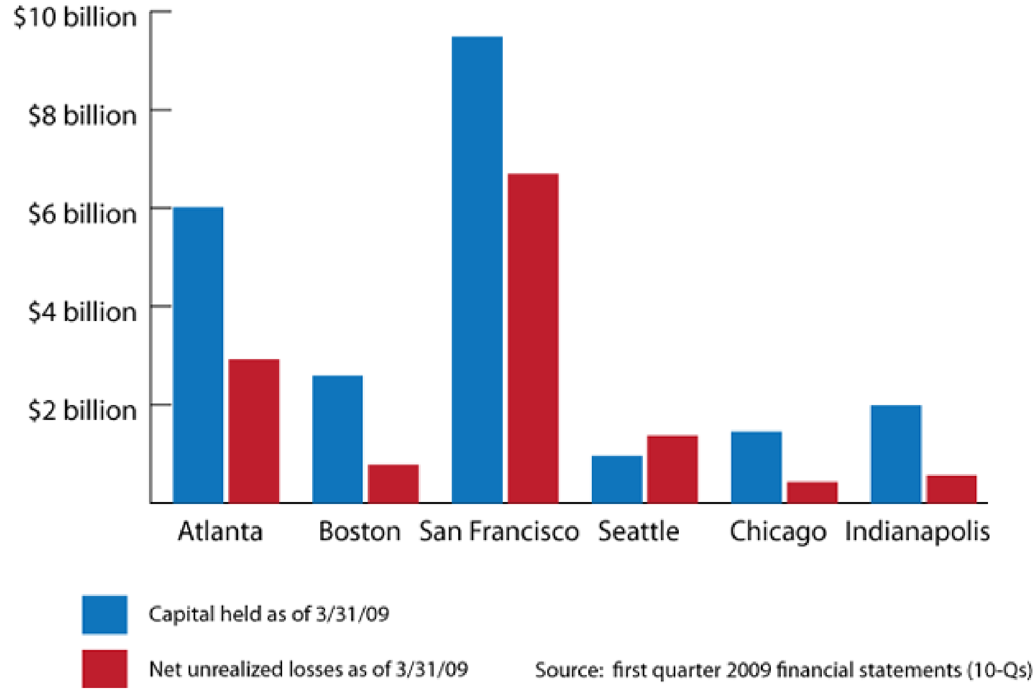
Click here to download the data for this graphic in CSV format.

Over the past week, new financial reports have come out that confirm trouble at the Federal Home Loan Banks -- and the biggest news comes from the Seattle bank. In the wake of the downgrades to its securities, the Seattle FHLB reported nearly $1,374 million in unrealized losses. That's almost one-and-a-half times the $960 million the bank held in capital on March 31. Other banks announced similar, though less extreme, trends; San Francisco's unrealized losses were equal to 71 percent of its capital buffer, while Boston's, Chicago's and Indianapolis's were 30 percent (see graphic below).

(Article continues after graphic)

Unrealized losses

Six of the 12 Federal Home Loan Banks reported especially large unrealized losses on their investments in mortgage-backed securities. This graphic compares the dollar value of their unrealized losses to the amount of capital the banks hold.



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A TEMPORARY SETBACK?

Representatives of the FHLBs maintain that the system as a whole has enough capital to recover from any future losses. And they say the potential losses are never likely to be realized, because the banks intend to hold the securities to maturity. By then, spokespeople predict that the economy will have improved and their holdings will have recovered some or all of their value.

The Federal Home Loan Banks already maintain a thinner capital margin than is typical for commercial banks, however. Because they have an implicit government guarantee—investors believe the federal government won't let them fail—they're able to maintain slimmer reserves.

Last fall, the FHLBs' private mortgage-backed securities had already run into enough trouble to raise concerns about capital levels. In January, Moody's reported that in the worst-case scenario, if their securities never regained their former value, eight of the 12 home loan banks would fail to meet capital requirements.

Home loan bank representatives defend their smaller capital margin. As their 2008 combined financial report shows, the majority of FHLB assets—about 70 percent—are made up of advances, or loans to member banks. Those advances are extremely secure for investors: when a member institution takes out a loan, it must put up more collateral than the loan is worth. And the FHLBs are first in line to be paid back if a member bank fails. In fact, in their 77-year history, the home loan banks have never lost a penny on an advance.

Private mortgage-backed securities, however, don't enjoy these extra safeguards—and they're much riskier than advances.

Moreover, the measure that the FHLBs' regulator must use by law to determine if the banks are adequately capitalized may make them appear healthier than they are. For example, the Seattle FHLB had only $960 million of capital on March 31, 2009, according to generally accepted accounting principles. For regulatory purposes, however, the Seattle FHLB was allowed to state that its capital was almost $3 billion (see graphic below).

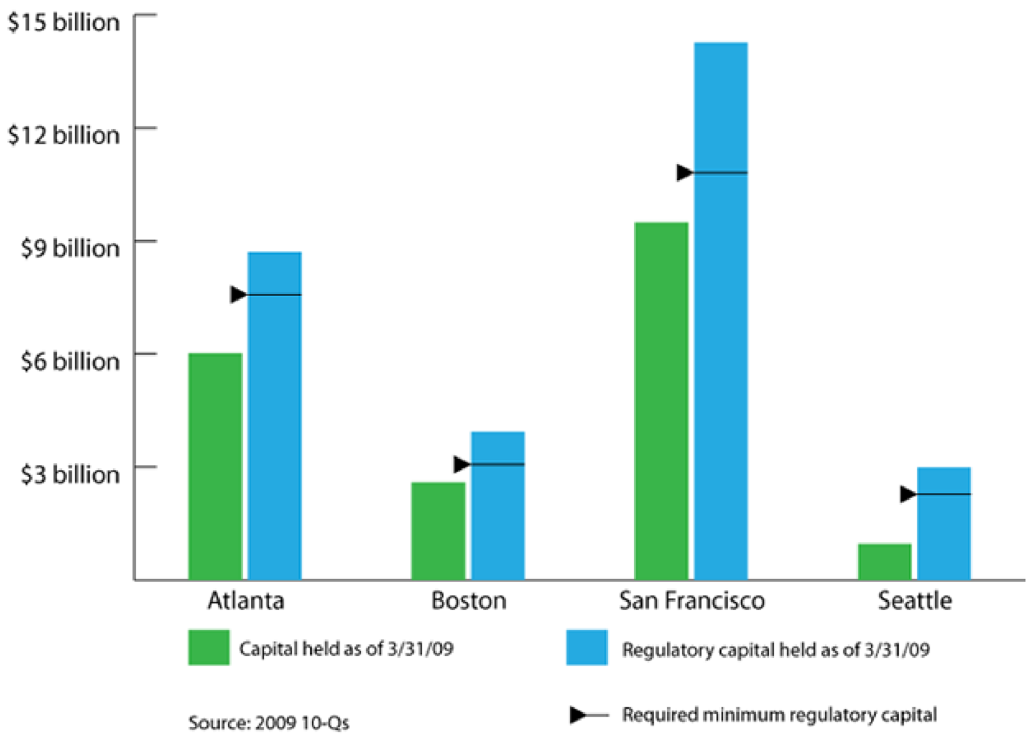
For this review, Subsidyscope used the measure of capital that accountants use, in part because regulatory capital doesn't count the losses a bank suffered on its mortgage-backed securities and can be potentially misleading. For example, the regulatory capital of the Seattle, San Francisco and Boston banks actually went up when accounting capital went down.

(Article continues after graphic)

Capital Comparison

By law, the home loan banks' regulator, the Federal Housing Finance Agency, must use a measure called regulatory capital to determine if a bank has adequate capital. Generally accepted accounting principles require measuring capital a different way.

This graphic illustrates the difference between the amount of each type of capital that four of the FHLBs hold.



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THE ROAD AHEAD

If a home loan bank suffered large losses that it couldn't recover, what would the road ahead look like? Before it ever reached insolvency, the bank could take internal steps to save money: it could suspend dividends to its members and temporarily forbid them from withdrawing stock, among other remedies. Indeed, six of the 12 banks have announced since December 2008 that they are suspending dividends.

Moreover, all the FHLBs are responsible if one runs into trouble. The home loan banks are subject to "joint and several liability"—meaning that if one bank were to fail, the others would be liable. The other FHLBs may also provide capital if a bank simply needs additional funds, but is still solvent. Just how they would accomplish this is far from clear, however. The individual FHLBs are used to a high degree of independence, so any bailout of one by the others is likely to be contentious and take time to resolve. The worry for taxpayers is that if the entire FHLB system still fell short of required capital, it might have to turn to Congress for extra funds.

There is some evidence that confidence in the Federal Home Loan Banks among investors has eroded in recent months. Subsidyscope has obtained information on the price of credit default swaps on FHLB bonds (see graphic below). One way the home loan banks fund their loans to members is by selling bonds. Credit default swap prices are a measure of how expensive it is to buy insurance against the possibility that the FHLBs would default on their bonds. The data show that it has become increasingly expensive to buy this insurance, suggesting that investors' confidence in the health of the FHLBs has been waning of late.

Losing Confidence? Credit Default Swap Prices (May 2007-May 2009)

One way the home loan banks fund their loans to members is by selling bonds. Credit default swap prices are a measure of how expensive it is to buy insurance against defaults on FHLB bonds. So the higher the number on the graph, the riskier investors believe it is to invest in the FHLBs. For example, on May 8, 2009, it was three times as expensive to buy this insurance as it was a year before. This may show declining confidence in the health of the FHLBs.

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